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**No. 0539
November 1970**

Update of South Korea Handbook

Please replace the May 1970 Introduction and Sections II, V, VI and VIII of the South Korea Handbook with the attached.

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INTRODUCTION

The Republic of Korea, jutting from the Asian mainland to within about 120 miles of Japan, is a strategically located but exposed outpost of the Free World. It faces the latent threat of renewed aggression by North Korea across the 1953 armistice line and must also defend itself against a persistent subversive campaign directed by the North. Under the leadership of President Pak Chong-hui, the country has made impressive economic and political gains and has consolidated its resources for national defense and internal security. Many problems remain in these fields, however, and South Korea continues to rely heavily on the United States for economic and military support.

Pak's government is firmly established and has gained widespread public acceptance for its economic advances and general stability. Pak also enjoys the support of the military—the key factor at this juncture for continued political stability—and of the ruling Democratic Republican Party. Although he has failed to eliminate factionalism and corruption, chronic Korean vices, Pak has shown growing political maturity in combining persuasion and compromise with the judicious use of force in providing increasingly effective government.

The economy is moving ahead at an impressive rate after a long period of uneven growth marked by inflation and other problems. Real GNP grew at an average annual rate of 10% from 1962 to 1969. In the same period industrial production rose 19% and exports 41% annually. The inflow of foreign capital, official and private, and rapid export growth have been and will likely continue to be the most critical factors underlying South Korea's economic performance. US grant aid—which totaled nearly \$5.0 billion from 1946 to 1969—is scheduled to be phased out in the 1970s. South Korea's receipt of some \$500 million in grants and low-interest government loans from Japan over a 10-year period beginning in 1966, as well as loans from international organizations, will continue to be an important factor in the country's growth. Private long-term capital inflows, much of it to finance export-oriented industries, have grown from \$7 million in 1964 to \$340 million in 1969. The maintenance of this private capital inflow is crucial to the economy's continued growth. Rapid export growth is, in turn, essential to gain the increasing amounts of foreign exchange needed for imports and to repay foreign creditors. The single most important variable affecting prospects for the maintenance of Korea's export growth is access to the US market.

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South Korea's 625,000-man armed forces, the world's sixth largest, are considered generally capable of defending the country against aggression by North Korea alone. The South Korean forces are bolstered by the presence of approximately 50,000 U.S. military personnel, including two US infantry divisions. Although the Korean forces are largely sustained through US military assistance, defense expenditures account for almost one fourth of the South Korean budget. South Korean military forces in South Vietnam total about 50,000.

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II. ECONOMIC BACKGROUND

Growth rates and trends

Among the less developed countries South Korea is one of the few to achieve a high rate of economic growth during the 1960s. From 1962 to 1968 real gross national product (GNP) grew at an average rate of about 10% annually, and in 1969 it grew by over 15%. Although per capita GNP is still low—about \$225—it has increased by over 75% in real terms since 1961. A high rate of industrial expansion and rapid export growth are major factors in the country's economic growth—from 1962 to 1969 industrial production and exports grew at an average annual rate of 19% and 41%, respectively. Despite rapid industrialization, over half the population works the land. Although farm income lags behind that of the industrial sector, the government's promotion of agricultural development has resulted in substantial progress in raising both farm output and income.

Income distribution

Statistics on income distribution are virtually nonexistent. It is evident, however, that such factors as the decline of the traditional elite under the Japanese, land reform, and the social dislocation caused by the Korean War have worked to spare South Korea the great extremes of wealth and poverty common to many developing countries. Most of the nation's wealth is either directly or indirectly controlled by the government. Some senior political leaders and a few self-made entrepreneurs, with large roles in the government's economic development program, have amassed fortunes. The growing middle class of small businessmen, professionals, civil servants and senior military officers shares an austere but gradually improving standard of living.

Urban labor and the farmers generally live a cut above subsistence level, but their living standard is improving. In recent years the real wages of urban workers have steadily increased, and in 1968 were 17% higher than in 1962. Farmers have not done quite as well, but from 1962 to mid-1969 the prices they received for their products rose 12% more than prices they paid for goods and services.

Main sectors—trends in industry and agriculture

South Korea's rate of industrialization has been phenomenal. The growth rate of manufacturing production increased from 18% in 1965 to

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37% in 1968, and to 31% in 1969. Output in 1969 represented 25% of the gross national product compared with only 16% in 1964. Employment of the labor force in manufacturing rose from 8% in 1964 to an estimated 13% in 1969.

Increasing emphasis is being put on heavy and chemical industry production, but textiles and clothing remain the largest industries, followed by food and beverages. Production also has been shifted from goods largely for domestic consumption towards goods for export. In 1969 about one third of manufacturing output was exported, and manufactured products made up three quarters of total exports.

Agriculture is still the largest sector of the economy, although its relative importance is declining. This sector accounted for about 40% of the GNP in 1964, fell below 30% in 1967, and a poor harvest caused by drought further reduced its share to 25% in 1969. This labor intensive sector engaged about half the labor force in 1969 compared with about three fifths in 1964. Rice is the principal crop, accounting for approximately two thirds of total food production. Barley, millet and soybeans are other important crops. Nevertheless, South Korea remains a food deficit country. Even in good years, it must import at least 500,000 metric tons of grain. In 1969 imports will exceed 2,200,000 metric tons, including over 700,000 metric tons of rice from the United States and Japan and 1.2 million metric tons of wheat. The 1969 rice crop was a bumper harvest of over 4 million metric tons, but rice imports in 1970 are expected to exceed 600,000 metric tons due to the government price stabilization policy.

About 56% of the cultivated area is in paddies; the remainder is in dry fields on uplands and mountain slopes. Soils are generally shallow and poor, requiring heavy fertilization. Natural fertilizers, including manure, night soil, and fuel ashes, are being increasingly displaced by manufactured fertilizers, but their use is still only one half of Japan's and two thirds of Taiwan's. With the construction of five fertilizer plants since 1961, the country is close to self-sufficiency in chemical fertilizers.

Transportation and communication system

Transportation and communication facilities were developed on the Korean peninsula by the Japanese to support their imperial ambitions on the Asian mainland. Consequently South Korea's transportation and communication systems generally are on a north-south axis and, with the peninsula divided, are primarily between Seoul and Pusan. Secondary routes and lines branch off laterally. Facilities have been expanding rapidly in recent years, but have not kept up with needs. The government owned railroad carries

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most long-distance freight and passenger traffic. The system has 1,960 route miles of track, all but a small fraction of which is standard gauge. Only 310 miles, including 280 miles between Seoul and Pusan, are double tracked. Passenger service is generally reliable, although facilities in outlying areas are often primitive by US or Japanese standards. There is a modern passenger express service between Seoul and Pusan. No international rail connections.

The highway network serves as a feeder to the railroads but is important as well in short-haul traffic and as the only access to many remote areas. There are 25,340 miles of highway, of which 1,600 miles are paved, 16,140 graveled, and 7,600 unpaved. An 18-mile expressway has recently been completed between Seoul and Incheon, and a 260-mile superhighway linking Seoul and Pusan is scheduled for completion in 1970.

A small merchant marine, operating primarily in tramp trade to the Far East and to the United States, carries about a quarter of the ocean-going cargoes entering and leaving South Korea. The merchant fleet has 102 ships of 1,000 GRT or over, totaling 748,400 GRT, and includes 68 cargo ships, 15 tankers, and 13 bulk carriers. The port system consists of 14 comparatively large harbors, but only Pusan and Incheon, the two major ports, plus Mokpo accommodate vessels over 10,000 gross tons. Some 200 small ports scattered along the coasts serve their respective hinterlands as fishing and coastal shipping centers. Coastal marine shipping has increased considerably in the past few years because of the diversion of freight from the overburdened railway system. Port and shipping facilities are generally overburdened but are being expanded.

Seoul's Kimpo Airport is served by five major international airlines, Northwest Orient, Cathay Pacific, China Air Lines, Thai Airways, and Japan Airlines. Korea Air Lines provides international service in addition to regular domestic service to major cities. Numerous airfields, many of them military fields built during the Korean war, make feasible an increased role for domestic aviation.

The telecommunication system provides essential services to government and industry but falls short of meeting the expanding needs of the general public. Service is particularly inadequate outside the main metropolitan areas, and many smaller localities continue to depend on high frequency radiocommunications. One or more radio stations in approximately 40 towns make broadcasts available to almost all sections of the country. Public loudspeaker installations in some small villages compensate in part for the shortage of receivers in rural areas. Both Seoul and Pusan have domestic

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television stations. The US armed forces operates additional stations in these two cities and in five other locations. About 100,000 television receivers are in use by the civilian population. International communications services exist with North America, Western Europe, and most major non-Communist Far Eastern countries.

Government economic policy and financial system

The government plays an active role in Korea's economy. Indirect participation consists of the usual monetary, fiscal, and foreign trade policies as well as the formulation of long-range development plans. Direct participation is greatest in the financial sector where the government has complete ownership or majority positions in almost all the financial institutions. In addition, the government owns utilities and many enterprises engaged in the production of basic goods, such as mining, fertilizer, and oil refining. Foreign private investment is encouraged by offering tax concessions, by allowing unrestricted equity participation and remittances of profits, and by maintaining monetary stability.

The Bank of Korea functions as the central bank, is the bank of issue, supervises the commercial banks, provides loans to the government and to other banks, and implements the government's monetary policies. Those policies are determined by a Monetary Board whose decisions are subject to cabinet approval. The Korea Exchange Bank, whose capital is wholly subscribed by the Bank of Korea, specializes in international banking and foreign exchange activities, but also offers a full range of banking services. The government is the principal shareholder in Korea's seven commercial banks. The banking system also includes a number of specialized banks, including the Korean Reconstruction Bank, the Medium Industry Bank, and Agricultural Cooperatives Federation, and the Korea Development Finance Corporation. By mid-1969 at least six foreign banks had branches in Korea, including the Chase Manhattan Bank, the First National City Bank of New York, and the Bank of America. The monetary unit is the won, whose exchange rate since March 1965 has been determined on the free market. Until mid-1970 the floating rate held relatively steady at about 270 won to the US dollar, but has since slowly depreciated. By the end of July, 1970 the rate was 312 won per US dollar.

Foreign trade

A large and increasing annual trade deficit has resulted from an import growth rate that has outstripped Korea's rapid export expansion. In 1969, with a total trade of \$2,446.1 million, the deficit was \$1,201.1 million

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compared with \$288 million in 1965. The United States and Japan are Korea's major trading partners. Together, they account for about 70% of both exports and imports. In 1969 the United States took about 50% of Korea's exports, chiefly textiles, wigs, clothing, and plywood, while it supplied 29% of imports, largely cotton, wheat, rice, machinery and transport equipment. Exports to the United States are about three fifths the level of imports from the US. The South Korea - Japan Normalization Treaty, which became effective in December 1965, provided for \$800 million of Japanese grants, low-interest government loans, and commercial credits tied to the purchase of Japanese goods and services. An additional \$200 million in private credits was made available in 1967. As a result, South Korea's imports from Japan skyrocketed from \$167 million to \$754 million in 1969, but exports to Japan grew only from \$44 million to an estimated \$122 million. The most important imports from Japan are machinery, transport equipment, iron and steel, and textile fibers and fabrics. Japan buys Korean marine products, raw silk, and metallic and nonmetallic minerals, especially iron ore and tungsten.

Hong Kong, Singapore, and Canada are markets for Korean textile products, while the Philippines and Malaysia supply hardwood. Korean exports to Europe in 1969 were an estimated \$50 million, and imports were an estimated \$220 million. Korea does not trade with Communist countries.

Balance of payments

Despite a chronic goods and nonmilitary services deficit, which grew from \$285 million in 1964 to over \$1 billion in 1969, Korea's foreign exchange reserves increased fourfold from the end of 1965 to mid-1970, reaching \$603 million at the end of July 1970. The sharp rise in the deficit since 1966, caused largely by imports of machinery and equipment and intermediate industrial goods for the export oriented manufacturing sector, has been largely offset by the inflow of private long-term capital. The net private long term capital inflow in 1969 amounted to \$340 million, \$324 million of which was accounted for by private long-term loans. The deficit was also partially offset by receipts from UN (US) forces in Korea, remittances of earnings of Korean troops and civilian workers in Vietnam, and Vietnam-related services. The end of the Vietnam war would entail a significant loss of foreign exchange earnings (about \$180 million in 1969), but a continued rapid expansion of exports would lessen the impact.

The rapid rise in foreign exchange receipts has reduced the country's dependence on foreign aid. Aid-financed imports fell from 68% of imports in 1960 to only 10% in 1968. Increased foreign borrowing, however, has caused

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the foreign debt to increase rapidly to about \$2.5 billion by the end of 1969. The ratio of debt services to foreign exchange earnings, about 13% in 1969, is expected to peak at 26-28% in 1970-71 when the bulk of scheduled short-term loan repayments falls due. No difficulties in debt servicing are anticipated, however, barring a sharp decline in export expansion or a substantial reduction in foreign private investment.

Foreign aid

The US has provided practically all of South Korea's economic aid since World War II, although West Germany (since 1959) and Japan (since 1966) also have contributed significant amounts of assistance. US official economic aid commitments during US Fiscal Years 1946 - 1970 totaled about \$5.1 billion. However, commitments from AID have fallen sharply since 1966, declining from over \$140 million to less than \$35 million in FY 1970. At the same time, Export-Import Bank loans have increased dramatically from \$20 million in 1966-68 to \$86 million in 1969. PL-480 assistance began in 1955 and has fluctuated according to harvests. In FY 1969, PL-480 commitments reached an all-time high of about \$200 million as the result of two consecutive years of drought, compared with only about \$60 million in FY 1967. PL-480 commitments for FY 1970 are an estimated \$115 million.

West German official aid to South Korea totaled about \$85 million in loan commitments during 1959-69. Japanese official aid, \$500 million pledged in loans and grants over a ten-year period, began in 1966 under the terms of the 1965 Normalization Treaty. Disbursements of Japanese aid have been at the agreed upon rate of \$50 million annually.

By the end of 1969, South Korea had received loan commitments from the Asian Development Bank of \$31 million, from the World Bank of \$70 million, from the International Development Association of \$43 million.

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V. LEADING PERSONALITIES

Government leaders

President Pak Chong-hui: An austere military man, Pak has won widespread acceptance among South Koreans as a national leader since catapulting to power in 1961 as leader of a near bloodless coup d'état. He subsequently has twice been elected president in essentially free elections and in October 1969 received an overwhelming vote of confidence in a national referendum making it possible for him to run for a third 4-year term in 1971.

Prime Minister Chong Il-kwon: An effective administrator and a shrewd political maneuverer with presidential ambitions, Chong has shown amazing durability in his present post. Chong, a native of North Korea, had both a distinguished military and diplomatic career before becoming prime minister in 1964. He served twice as ambassador to the United States.

Deputy Prime Minister Kim Hak-yol: Highly regarded as an able and experienced official, Kim has risen rapidly since entering government service in 1950. As deputy prime minister he serves concurrently as the government's senior economic official, chairman of the Economic Planning Board.

Minister of Foreign Affairs Choe Kyu-ha: Choe is a veteran diplomat

Although he appears to be a competent administrator, his effectiveness is limited by an overly cautious attitude and lack of influence with President Pak.

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Minister of Home Affairs: Pak Kyong-won

Minister of Finance: Nam Tok-u

Minister of Justice: Yi Ho

Minister of National Defense: Chong Nae-Hyok

Minister of Education: Hong Chong-chol

Minister of Agriculture and Forestry: Cho Si-hyong

Minister of Construction: Yi Han-im

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Minister of Commerce and Industry: Yi Nak-son

Minister of Health and Social Affairs: Kim Tae-tong

Minister of Science and Technology: Kim Ki-hyong

Minister of Transportation: Paek Son-yop

Minister of Communications: Kim Po-hyon

Minister of Culture and Public Information: Sin Pom-sik

Minister of Government Administration: So Il-kyo

Minister of Unification: Kim Yong-son

Ministers without Portfolio: Yi Pyong-ok and Kil Chae-ho

Director (South Korean) Central Intelligence Agency: Kim Kye-won

First Presidential Secretary: Kim Chong-yom

Political leaders

Kim Chong-pil: A dynamic, vigorous political leader with close family ties to President Pak, Kim has a flair for political intrigue. Although he presently holds no public office, he is at the center of the power struggle within Pak's Democratic Republican Party and is a prime contender for the presidential succession.

Kim Song-kon: Kim is a [REDACTED] businessman and politician with presidential ambitions. Chairman of the Democratic Republican Party's finance committee and a National Assemblyman, he is politically close to Pak although probably not a trusted confidant.

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Kim Tae-chung: New Democratic Party presidential candidate to oppose President Pak Chong-hui in 1971. Kim is a respected legislator and was a leader of the party that was ousted from power by Pak in the 1961 military coup.

Kim Yong-sam: A political moderate, Kim is floor leader of the opposition New Democratic Party in the National Assembly. He is one of the few younger opposition politicians with a potential for leadership.

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Yi Chol-sung: Yi is a dynamic and ambitious politician. He is a member of the opposition New Democratic party's top policy group. Barred from politics by the military junta and subsequently allowed to return to politics in August 1969, he has emerged as a possible contender for the party chairmanship.

Yu Chin-san: Yu is an old-line politician and political moderate. In early 1970 he became leader of the opposition New Democratic Party. Yu has a reputation for cooperation with the government [REDACTED]

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Leading businessmen

Yi Pyong-chol (B.C. Lee): A tight fisted shrewd businessman, Yi is probably the wealthiest man in Korea. President and major stockholder in a number of companies, his radio, newspaper, and television holdings allow him to exert a potent political influence. Yi and President Pak reportedly have monthly meetings but are not personally close.

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VI. ARMED FORCES

Defense organization

South Korea's armed forces are modeled after those of the United States, utilize US equipment, and employ US tactical doctrine and techniques modified to meet Korean requirements. The forces are well organized, well trained, and ably led. Their over-all capability is about equal to that of the North Korean armed forces; neither side appears to have a decisive advantage over the other. Both the North and the South Korean forces are short of the logistical reserves needed for sustained offensive operations. Both would need considerable outside support to conduct full-scale combat. The South Korean armed forces, except for some 50,000 soldiers and marines serving in Vietnam, are under the operational control of the UN (US) Commander in Korea.

The South Korean Army has some 535,000 men. It is organized into a headquarters and two major subordinate commands—the First ROK Army and the Second ROK Army. The First ROK Army is mainly deployed along the Demilitarized Zone dividing North and South Korea. The First ROK Army consists of four corps with a total of 13 infantry divisions and support elements. One additional corps, not a part of the First Army, consists of four infantry divisions and support elements. This corps is under the direct operational control of I Corps (Group) of the US Eighth Army, but is directly subordinate to ROK Army Headquarters for administrative control.

The Second ROK Army is a continental army command-type organization. Its principal missions are rear-area security, administrative supervision of the four military district commands into which the rear area is subdivided, and the training of the ten reserve divisions under its command. Three combat ready reserve divisions are maintained at a strength of about 3,500 men each. The remaining seven have about 2,500 men each.

The ROK Air Force has some 27,000 men, including about 700 pilots. The air force's ten tactical fighter squadrons and two fighter interceptor squadrons with an inventory of 123 F-86, 77 F-5 and 18 F-4 jet fighters can provide tactical support to ground and naval forces under visual conditions. F-86s are the principal combat aircraft, but F-5s are being incorporated into the squadrons. Support aircraft include three squadrons of C-46 and C-54 transports, one tactical reconnaissance squadron, and 11 helicopters

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(6H-19B/D; 5UH-1H). With the exception of the army's HAWK and NIKE/HERCULES surface-to-air missiles, AA units are only marginally effective against jet aircraft. The air force has no organized reserve, but at the time of discharge personnel enter a reserve pool until the age of 40 and are maintained in ready-reserve status for three years. No reserve training is provided.

The ROK navy, a coastal patrol force, has some 50,000 personnel, including 31,000 marines. Its ships include 6 destroyer types, 6 small amphibious transports, 19 amphibious, 20 patrol, and 12 mine warfare ships. The operating fleet comprises a patrol and escort flotilla, an amphibious flotilla, an anti-infiltration flotilla, a mine squadron, a service squadron and a fleet training group. Marine combat units include one division, and two provisional brigades, one of which is in Vietnam. The Marine Corps is capable of operations up to division level if provided adequate air and naval support.

The navy has no formal organized reserve, but claims a reserve pool of some 34,000 personnel. The Marine Corps' reserve pool totals 86,000.

Manpower

As of 1 January 1969, South Korea had an estimated 7,268,000 males between the ages of 15 and 49, of whom about 4,600,000—or roughly 63%—were considered fit for military service. General mobilization is in effect for all citizens. The average number reaching military age (18) annually is about 320,000. All males must register at 17 and be available for call, with certain exceptions, between ages 18 to 40. By law, a 36-month period of active service is required for all able-bodied men; however, conscripts are presently required to serve only 30 months. The army and marines are the only services using conscripts; navy and air force personnel are volunteers. The enlistment period in the army and marine corps is two years; in the navy and air force it is three years. Voluntary enlistment and re-enlistment rates in the army are negligible.

Military budget

For the past several years, defense costs have ranged from about one third to one fourth of the national budget. For the fiscal year ending 31 December 1969, this amounted to about \$290 million out of a total budget of \$1,296 million, or about 4.1% of the gross national product. The defense part of the budget was almost entirely earmarked for pay and allowances and such personnel costs as food, clothing, and housing. US support of the military budget has dwindled from about two thirds to about 40% of the

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total amount involved. In addition, virtually all arms and most nonpersonnel operating and maintenance costs are paid by the United States. It is estimated that US military assistance to Korea between the end of World War II and the end of 1969 totaled over US \$3 billion.

Logistics

The South Korean armed forces are almost totally dependent on US supplied arms, equipment, and POL. A small arsenal produces some .30- and .50-calibre ammunition, and negotiations are under way to procure production facilities for the M-16 rifle. Except for the air force, weapons and equipment are for the most part of World War II design. The naval shipyard at Chinhae is capable of making repairs to ships of the South Korean Fleet and has a limited capacity to build small ships. Logistical support activities and organization are patterned after those of the US services. Although performance is generally below US standards, there continues to be improvement. In the event of hostilities, the logistical system probably could support combat operations effectively if adequate supplies were received from the US.

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VIII. US INTERESTS

The US interest in South Korea is both substantial and complex, deriving from strategic considerations and the commitment of US prestige to making the non-Communist part of the nation viable. The principal role the US played in the Korean war, undertaken for strategic reasons—primarily to preserve South Korea as a buffer between Japan and Communist Asia and as a free-world defense position on the Asian mainland—greatly expanded the US stake in the country.

US defense commitments, alliances, agreements, assistance (including counter-subversion)

US involvement in Korea stems from the promise in the Cairo Declaration of 1943 that "in due course Korea shall become free and independent" and from US actions subsequently taken both unilaterally and through the UN to carry out this commitment. The basic US commitment to the defense of South Korea is contained in the Mutual Defense Treaty, which entered into force on 17 November 1954. The US has reaffirmed this commitment many times, most recently during President Pak Chong-hui's San Francisco visit in August 1969. On 9 July 1966, the US and South Korea signed a Status of Forces agreement covering the presence of US troops in Korea.

Over-all US responsibility for the defense of South Korea is exercised through the UN Command, authorized by the UN Security Council on 7 July 1950. The United States carries out this responsibility by designating a US officer as Commander in Chief of the UN Command, by the stationing of two US combat divisions, a missile command, and various supporting units in Korea, plus US air defense support and logistical support of UN forces (including those of South Korea), and by advice and technical assistance to the South Korean forces. Authorized US troop strength in Korea, 63,000 men, is scheduled to be cut by 20,000 before the end of 1971.

Support is provided to South Korean forces through the Military Assistance Program for Korea and through the contribution of counterpart funds to the South Korean national defense budget. Support for South Korea's substantial counter-subversive program is also made available from the Military Assistance Program.

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US military assistance to South Korea has totaled about US \$3 billion since 1949.

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US economic aid to Korea in the period USFY 1946 - 1970 totals about \$5 billion. This represents technical assistance, support assistance, development loans, and PL-480 food for freedom and concessional sales and grants. The present basis for US economic aid to South Korea is the Economic Assistance Agreement of 1961. US economic assistance totals for FY 1968 through FY 1970 are given in the following table.

ECONOMIC ASSISTANCE
(Millions US \$)

	FY 1968 (actual)	FY 1969 (estimated)	FY 1970 (proposed)
I. A. I. D. Appropriations			
Development Loans	32.0	20.0	20.0
Technical Assistance	6.7	4.2	3.8
Special Assistance	36.5	21.2	10.0
Total A. I. D.	75.2	45.4	33.8
II. Other Official Aid			
PL 480 - Title I	79.1	148.6	94.3
PL 480 - Title II	40.0	54.8	21.3
EX-Im	16.2	2.6	83.9
Total Other Official Aid	135.3	206.0	199.5

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US investment

US direct private investment approved by the Korean Government since 1959 has amounted to about \$94 million out of a total direct private foreign investment of about \$157 million as of April 1970. In addition US medium long-term and commercial loans to South Korea as of 30 April 1970 amounted to some \$437 million. Major US equity investors include Gulf Oil Corporation, Swift and Company, Skelly Oil Company, Union Oil of California, American Airlines, Inc., Motorola, Inc., and Chemtex, Inc.

US trade—policy, balance of trade, trends

US trade with South Korea since 1957 has been afforded most-favored nation treatment under the 1967 Treaty of Friendship, Commerce, and Navigation. Korean exports to the United States grew from \$36 million in 1964 to \$312 million in 1969 as the US share of Korean exports rose from 30% to 50% over the same period. Imports from the United States accounted for only 29% of Korea's imports in 1969, down from 50% in 1964.

The US share of Korea's imports in future years is uncertain due to the currently large aid component. Out of total imports from the US in 1969 of \$530 million, aid-financed goods accounted for one-third—\$119 million. Aid imports will continue to compose a steadily declining share of Korea's total imports. At the same time, machinery, equipment, and intermediate industrial products, financed mainly with Korean foreign exchange and foreign loans, especially commercial loans, should continue to account for an increasing share of imports. The ability of the US to maintain its share of the Korean market will depend largely on increased sales of these items. However, US exporters will face growing competition from non-US suppliers, particularly the Japanese, who can provide comparable goods while offering lower costs, favorable financing terms, and quick delivery. On the export side, Korea's rapid expansion of Korean exports will depend to a large extent on access to US markets.